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Soviet Factions Renew Debates over Economic Priorities 23 May 75 No. 20

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TRENDS

In Communist Propaganda

S U P P L E M E N T

SOVIET FACTIONS RENEW DEBATES OVER ECONOMIC PRIORITIES

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FBI'S SUPPLEMENT

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SOVIET FACTIONS RENEW DEBATE OVER ECONOMIC PRIORITIES

There is fresh evidence of renewed debate in Soviet leadership circles over the question of whether consumer goods or producer goods should enjoy preferential development in the next five-year plan. This was signaled in an editorial in the April 1975 issue of the State Planning Commission (Gosplan) journal PLANNED ECONOMY, which called for raising the priority of consumer goods production. The renewed agitation comes against the background of evidence that contention in the leadership over economic priorities has sharpened in recent months.

This contention was apparently prompted by the regime's consistent failure in recent years to maintain the levels of growth set for consumer goods production in the 1971-1975 five year plan. During 1974 there were numerous indications that pro-consumer goods forces were seeking through press campaigns and decrees to reverse the declining performance of consumer goods production. In the fall this effort was abandoned amid signs that preliminary decisions had been reached to shift priority to producer goods--a shift which was in fact registered in the 1975 plan, announced in December 1974.

While the individual leaders have not publicly addressed this issue in recent months, the indications are strong that Kosygin has been the sponsor of the pro-consumer goods agitation, and that Brezhnev has accepted, if he has not actively led, the current shift to producer goods. The issue is likely to draw attention from the leaders in their upcoming Supreme Soviet election speeches, in view of the fact that the 1976-1980 five year plan and the 1976-1990 long term plan are currently being worked on within the regime.

ECONOMIC JOURNAL REOPENS DEBATE

The debate over priorities was reopened by the April issue of PLANNED ECONOMY (actually signed to press on 5 March), which carried an editorial entitled "Improve Planning of Economic Proportions" arguing that the past stress on heavy industry had built an "adequate" material-technical base for industry and agriculture which now permitted emphasis on raising welfare. Harking back to the 24th Congress decisions to stress consumer goods, it declared that further economic growth depended on raising welfare and called for raising the rates of Group B and increasing the share of national wealth devoted to consumption and to nonproduction construction.

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IZVESTIYA followed on 18 April with an editorial on the 16 April CPSU plenum recalling that the 24th CPSU congress had described raising welfare as the "main task" of the current five-year plan and asserting--contrary to the public evidence--that this task was being consistently and successfully carried out. PRAVDA in its corresponding editorial (which was reprinted in almost all central and republic papers) totally ignored domestic policy issues.

KOSYGIN'S CAMPAIGN FOR CONSUMER GOODS

Although the 1971-75 five-year plan set a higher growth rate for Group B (consumer goods) than for Group A (producer goods) and this was endorsed by Brezhnev at the 1971 congress, by late 1972 consumer goods production had begun to fall behind producer goods in actual growth. According to the statistical administration's economic yearbook, Group B grew only 14 percent during 1971-72, as against A's 15 percent. A further drastic setback occurred when the 1972 agricultural disaster reduced raw materials for the food industry (which produces about half of all Group B's output) and forced the temporary abandonment of Group B priority. The 1973 plan announced in December 1972 set a growth rate of 6.3 percent for A and only 4.5 percent for B. By the end of 1973, as an October 1974 PLANNED ECONOMY article noted, Group B had actually grown only 20.3 percent instead of the planned 25.1 percent for the first three years of the plan.

Kosygin complained about this lag in his 13 November 1973 Minsk speech and argued that the good 1973 crop permitted setting a higher growth rate for light and food industries than during 1971-73. He specifically insisted that Group B must grow faster than Group A in 1974, and in fact the 1974 plan announced in December 1973 again set B ahead, 7.5 percent to 6.6 percent. In his 14 June 1974 election speech Brezhnev indicated that the December 1973 CPSU plenum had discussed the lag in Group B, and he also declared unsatisfactory the growth rates of the food and light industries and other branches of Group B.

During most of 1974, articles and speeches gave no indication of any intent to push for a return to heavy industry or producer goods priority. In fact, Brezhnev in his June election speech even declared that the upcoming new five-year plan and longterm plan would continue the orientation toward welfare adopted by the 24th Congress. Nevertheless, there were signs of unusual defensiveness over the faltering program and of desperate efforts to keep it going, largely emanating from Kosygin and his allies. In May

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a Central Committee-Council of Ministers decree expanded contract arrangements between light industry enterprises and retail outlets--the "direct ties" long favored by Kosygin. This initiative, clearly pushed by Kosygin, was followed by a July Central Committee-Council of Ministers decree criticizing the Ukraine for neglecting consumer goods and calling on that republic to speed consumer goods production--an unusual rebuke for Brezhnev's protege, Ukrainian First Secretary Shcherbitskiy.

Meanwhile, IZVESTIYA launched a campaign to speed consumer goods production by prodding local areas to adopt higher obligations and by inspecting factories to uncover unused reserves. On 10 August 1974 it claimed that this had helped stimulate production of an additional 2 billion rubles worth of consumer goods during the first half of 1974. A large part of IZVESTIYA's effort was directed at the Ukraine, where its investigative teams exposed widespread shortcomings in light industry, forcing First Secretary Shcherbitskiy to respond in the 11 June IZVESTIYA with promises to improve. IZVESTIYA on 11 October reported that the Ukraine had pledged to produce 600 million rubles worth of consumer goods above the plan. In December 1974, while Moscow shifted in the USSR's 1975 plan to higher rates for producer goods and lower ones for consumer goods, the Ukraine went the other way, maintaining and even increasing its priority for consumer goods: Group A remained at 6.7 percent, as it was for 1974, but Group B increased from 7.8 percent to 8 percent for 1975.

Sensitivity over fulfillment of the welfare program adopted by the congress apparently prompted the leadership in mid-1974 to issue a special book entitled "The Concern of the Party and Government for the Welfare of the People," presenting all the party and government decisions on welfare from October 1964 to early 1974. PRAVDA's editor for culture, M.I. Stepichev, reviewing the book in a November issue of PARTY LIFE, declared that this was the first time such a book had ever been issued and that "anyone reading it would see that our party and Soviet state not only have proclaimed the people's welfare as the highest goal, but in practice have consistently and firmly been implementing this general Leninist course."

This was followed by the issuing of a collection of Kosygin speeches (set in type 23 July and signed to press 20 August) which was subsequently used by some of his apparent allies to defend the priority of consumer goods. Academician A.N. Yefimov, in a 24 October 1974 IZVESTIYA review of the Kosygin book, recalled Brezhnev's words at the 24th Congress that the stress on welfare was not only for the 1971-75 five-year plan but would be the main

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orientation for the foreseeable future. Yefimov, director of Gosplan's scientific research institute for economics and one of the country's top economists, noted that this orientation had required a redistribution of resources and "big structural changes in the economy." He noted that it had entailed an increase in the share of national income devoted to consumption, in the funds invested in building new capacity for consumer goods production, and in the proportion of labor allocated to service industries. Yefimov was also extraordinarily flattering to Kosygin, writing that his "long years of experience in state and economic leadership and deep political and economic erudition" enabled him to make the best decisions on economic policy.

An editorial review of the Kosygin book in an October KOMMUNIST (set in type in late September and signed to press 11 October) was also subtly used to plug consumer goods, including the statement that "the conditions which for a long time did not permit implementation of a large-scale program of raising the people's living standards along with development of heavy industry and strengthening of the country's defense are gradually disappearing." KOMMUNIST chief editor V.G. Afanasyev has on other occasions shown sympathy for economic reform and the consumer, for instance, in an 11 January 1974 PRAVDA article and a November 1974 KOMMUNIST editorial.*

Another plug for consumer goods was contained in the October issue of PLANNED ECONOMY (signed to press 4 September). A review signed "Economist"--apparently indicating the journal's editor or a high-level Gosplan figure--assailed a U.S. study of the Soviet economy for claiming that the Soviet Union had made no significant redistribution of resources in favor of consumption. It pointed out that in sharp contrast to preceding plans, the 1971-75 five-year plan provided for a higher rate of consumption than for accumulation and a "significant growth of consumer goods production." It acknowledged that during 1971-73 Group B had grown only 20.3 percent versus the planned 25.1 percent, while Group A had achieved its planned 24.1 percent growth. It blamed B's shortfall on the 1972 agricultural disaster.

REVERSAL OF PRIORITY

The decision to abandon the priority for consumer goods was apparently made during the fall, amid signs of unusual tension between Brezhnev and Kosygin. Brezhnev appears to have used his 1 October address to

* See the TRENDS of 27 November 1974, pages 23-25.

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Kosygin's Council of Ministers to at least lay the basis for a return to priority for heavy industry. PRAVDA's short 3 October account of the session reported that Brezhnev had analyzed fulfillment of the five-year plan and had "set the tasks" for 1975. (The 12 October 1974 KAZAKHSTANSKAYA PRAVDA referred to Brezhnev's "instructions" in his speech on the plan.) After hearing Brezhnev, the Council of Ministers, according to PRAVDA, ordered its presidium to work on the new plan, devoting "special attention" to development of heavy industry, agriculture, consumer goods, and housing--in that order. The session was highly unusual, first because it was only the second occasion Brezhnev had ever addressed the Council of Ministers, and second because its discussion of the 1975 plan continued for two days--suggesting extensive debate. Kosygin played only a very subordinate role at the session, only speaking at the end and summing up what Brezhnev and others had said.

Two weeks later, additional signs of tension appeared when articles marking the 10th anniversary of the October 1964 plenum that had removed Khrushchev conspicuously downgraded or totally ignored Kosygin's economic reform and attributed the economic successes of the past decade to Brezhnev.* At the same time there was a hint that Kosygin was refusing to cooperate in a move to promote Brezhnev to the rank of general. The 6 November GAZETTE OF THE USSR SUPREME SOVIET reported a 1 November Supreme Soviet Presidium ukase signed by Podgornyy taking jurisdiction over the rank of "General of the Army" away from Kosygin's Council of Ministers and giving it to Podgornyy's Supreme Soviet Presidium, which soon awarded that title to Brezhnev. In another 1 November ukase Podgornyy also changed the law so that generals of the army could henceforth receive the "marshal's stars" previously reserved for marshals, and on 9 May 1975 Podgornyy presented such stars to new General of the Army Brezhnev.

There was no propaganda campaign to prepare the public for the renewed emphasis on producer goods, but on the eve of the 16 December plenum and the announcement of the renewed stress on heavy industry, there was a hint of the forthcoming announcement in a 13 December PRAVDA editorial which argued at length that increased production of consumer goods depended on further expansion of heavy industry. Seeking to avert possible consumer concern, it declared that heavy industry was now producing three-fourths of all household goods bought by the public. (According to an April 1975 PLANNED ECONOMY

* See the TRENDS of 27 November 1974, pages 23-24.

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article, household goods are a subcategory of consumer goods, amounting to 15 percent of Group B.) In the same vein, Finance Minister V.F. Garbuzov, who often has cited the need for heavy industry priority, declared at the December Supreme Soviet session that heavy industry would produce 35 billion rubles worth of consumer goods during 1975.

The reversal of priorities was publicly announced by Gosplan Chairman Baybakov at the 18 December Supreme Soviet session, after it had been approved at the 16 December Central Committee plenum. The 1975 plan he announced set a 7 percent growth rate for Group A and only a 6 percent rate for Group B, raising A above its 1974 rate of 6.6 percent, while dropping B 1.5 percentage points below its planned 1974 rate of 7.5 percent. The only explanation he offered was that it had proved impossible to fulfill the plan for consumer goods because of failure to build the planned new capacity and because of shortages of agricultural raw materials.

The only other public explanation has been the surprising suggestion by one of Baybakov's Gosplan subordinates, A. Rybkina, that a 1974 agricultural shortfall was partly to blame. In an April 1975 PLANNED ECONOMY article she attributed Group B's lag "basically to a shortage of agricultural raw materials in connection with the difficult weather conditions of 1972 and 1974." In view of Baybakov's own assertion that the 1974 grain crop was the second biggest in history, and the fact that the Ukraine did not find it necessary to lower its Group B rate, an agricultural shortfall seems hardly convincing as an excuse.

Furthermore, an intent to shift emphasis was suggested by the fact that the reversal of rates was accompanied by announcement of a new formula stressing the importance of heavy industry and setting it ahead of consumer goods. The long 18 December PRAVDA editorial on the 16 December plenum revealed that the plenum (presumably Brezhnev's plenum speech) had noted the need for "further successful development of heavy industry--the backbone of our economy--and also of branches producing consumer goods and development of agriculture" The editorial was reprinted in IZVESTIYA and other central papers, although most of these papers also ran their own editorials on 22-23 December.

FOLLOWUP COMMENTARY

Despite the importance of this reversal of priorities and the introduction of a new formula, press comment on the December plenum gave virtually no explanation and appeared to deliberately avoid the

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subject. Only PRAVDA, SOVIET RUSSIA and PARTY LIFE have not appeared reticent about discussing the new priority. PRAVDA's 22 December editorial declared that "machine building, chemical and petrochemical industries and other branches of heavy industry which determine technical progress in the economy will develop at preferential rates." IZVESTIYA's 22 December editorial mentioned only that consumer goods were falling behind the plan and cited Baybakov's explanation of the reason, but on 5 January 1975 IZVESTIYA ran a second editorial dutifully repeating the new formula on "development of heavy industry, the backbone of our economy, and also of branches producing consumer goods, and development of agriculture" Other papers ignored the A-B ratios and the new formula except SOVIET RUSSIA, which noted in its 23 December editorial that "branches of heavy industry that determine technical progress" would develop at preferential rates. PARTY LIFE's January editorial on the plenum repeated the formula on heavy industry being the "backbone" of the economy, but KOMMUNIST's January editorial ignored the formula or priorities. Soviet leaders have also avoided the subject of priorities in their recent speeches, and even economic journals dropped discussion of Groups A and B.

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